

ACER CYBER SECURITY INC. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report
For the Three Months Ended March 31, 2025 and 2024**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of Acer Cyber Security Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Acer Cyber Security Inc. and its subsidiaries as of March 31, 2025 and 2024, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of material accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Acer Cyber Security Inc. and its subsidiaries as of March 31, 2025 and 2024, and their consolidated financial performance and their consolidated cash flows for the three months then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chao, Min-Ju and Chang, Hwei-Chen.

KPMG

Taipei, Taiwan (Republic of China)

April 29, 2025

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

ACER CYBER SECURITY INC. AND SUBSIDIARIES**Consolidated Balance Sheets****March 31, 2025, December 31 and March 31, 2024**

(Expressed in Thousands of New Taiwan Dollar)

	March 31, 2025		December 31, 2024		March 31, 2024		March 31, 2025		December 31, 2024		March 31, 2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Assets												
Current assets:												
1100 Cash and cash equivalents (note 6(a))	\$ 1,591,048	34	1,520,464	32	378,652	16	\$ 156,659	3	167,787	4	78,237	3
1140 Contract assets—current (notes 6(q) and 7)	383,801	8	358,551	8	377,526	15	277,570	6	276,369	6	248,737	10
1170 Notes and accounts receivable, net (notes 6(c) and (q))	163,041	4	302,526	6	141,014	5	23,815	1	20,908	-	10,359	1
1180 Accounts receivable from related parties, net (notes 6(c), (q) and 7)	37,622	1	51,864	1	48,711	2	421,917	9	321,356	7	315,129	13
1200 Other receivables (note 6(d))	2,654	-	-	-	682	-	4,498	-	6,304	-	273,873	11
1470 Prepaid expenses and other current assets	31,712	1	28,769	1	21,175	1	51,375	1	36,679	1	38,125	2
Total current assets	<u>2,209,878</u>	<u>48</u>	<u>2,262,174</u>	<u>48</u>	<u>967,760</u>	<u>39</u>	<u>30,330</u>	<u>1</u>	<u>30,251</u>	<u>1</u>	<u>33,001</u>	<u>1</u>
Non-current assets:							<u>6,372</u>	<u>-</u>	<u>18,370</u>	<u>-</u>	<u>5,234</u>	<u>-</u>
1517 Financial assets measured at fair value through other comprehensive income—non-current (note 6(b))	25,441	1	23,543	1	17,383	1	11,711	-	11,493	-	-	-
1600 Property, plant and equipment (notes 6(e), 7 and 8)	1,353,828	29	1,353,427	29	440,976	18	984,247	21	889,517	19	1,002,695	41
1755 Right-of-use assets (note 6(f))	196,415	4	204,071	4	230,975	9	277,687	6	300,828	6	-	-
1780 Intangible assets (note 6(g))	70,817	2	86,703	2	132,631	5	255,919	5	258,884	6	-	-
1840 Deferred income tax assets	11,749	-	11,749	-	9,618	-	169,520	4	177,131	4	200,825	8
1967 Costs to fulfill contracts with customers (note 6(h))	666,536	14	649,123	14	575,900	24	33,973	1	33,977	1	34,497	2
1980 Other financial assets (note 8)	71,521	2	75,736	2	79,122	3	8,452	-	8,452	-	9,461	-
1990 Other non-current assets (note 6(i))	13,606	-	14,191	-	15,548	1	745,551	16	779,272	17	244,783	10
Total non-current assets	<u>2,409,913</u>	<u>52</u>	<u>2,418,543</u>	<u>52</u>	<u>1,502,153</u>	<u>61</u>	<u>1,729,798</u>	<u>37</u>	<u>1,668,789</u>	<u>36</u>	<u>1,247,478</u>	<u>51</u>
Equity attributable to shareholders of the Company (note 6(n)):												
Share capital:												
3110 Common stock							299,997	6	301,152	6	221,201	9
3170 Share capital awaiting retirement							-	-	-	-	(50)	-
Subtotal							<u>299,997</u>	<u>6</u>	<u>301,152</u>	<u>6</u>	<u>221,151</u>	<u>9</u>
3200 Capital surplus							2,289,805	50	2,288,650	49	770,238	31
Retained earnings:												
3310 Legal reserve							83,243	2	83,243	2	64,184	3
3320 Special reserve							40,569	1	40,569	1	34,509	1
3350 Unappropriated earnings							210,700	5	334,533	7	178,468	7
3400 Other equity							(34,321)	(1)	(36,219)	(1)	(46,115)	(2)
Total equity	<u>2,889,993</u>	<u>63</u>	<u>3,011,928</u>	<u>64</u>	<u>1,222,435</u>	<u>49</u>	<u>3,011,928</u>	<u>64</u>	<u>3,011,928</u>	<u>64</u>	<u>1,222,435</u>	<u>49</u>
Total liabilities and equity	<u>\$ 4,619,791</u>	<u>100</u>	<u>\$ 4,680,717</u>	<u>100</u>	<u>\$ 2,469,913</u>	<u>100</u>	<u>\$ 4,619,791</u>	<u>100</u>	<u>\$ 4,680,717</u>	<u>100</u>	<u>\$ 2,469,913</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ACER CYBER SECURITY INC. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the three months ended March 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollar, Except for Earnings Per Share)**

		For the three months ended March 31			
		2025		2024	
		Amount	%	Amount	%
4000	Net revenue (notes 6(q), 7 and 14)	\$ 516,328	100	451,614	100
5000	Cost of revenue (notes (e), (f), (g), (h), (i), (l), (r), 7 and 12)	(302,039)	(58)	(269,045)	(60)
	Gross profit	214,289	42	182,569	40
	Operating expenses (notes 6(e), (f), (g), (k), (l), (o), (r), 7 and 12):				
6100	Selling expenses	(30,685)	(6)	(23,832)	(5)
6200	General and administrative expenses	(35,698)	(7)	(33,780)	(8)
6300	Research and development expenses	(81,166)	(16)	(68,527)	(15)
	Total operating expenses	(147,549)	(29)	(126,139)	(28)
	Operating income	66,740	13	56,430	12
	Non-operating income and loss (notes 6(k), (s) and 7):				
7100	Interest income	3,552	1	249	-
7020	Other gains and losses	2,355	-	967	-
7050	Finance costs	(1,766)	-	(1,424)	-
	Total non-operating income and loss	4,141	1	(208)	-
7900	Income before taxes	70,881	14	56,222	12
7950	Income tax expense (note 6(m))	(14,716)	(3)	(11,643)	(2)
	Net income	56,165	11	44,579	10
	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss (note 6(n))				
8316	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	1,898	-	(1,698)	(1)
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-
	Other comprehensive income (loss), net of taxes	1,898	-	(1,698)	(1)
	Total comprehensive income for the period	\$ 58,063	11	42,881	9
	Earnings per share (in New Taiwan Dollar) (note 6(p)):				
9750	Basic earnings per share	\$ 1.87		2.03	
9850	Diluted earnings per share	\$ 1.86		2.01	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ACER CYBER SECURITY INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollar)

	Attributable to shareholders of the Company										
	Share capital		Retained earnings					Other equity			
	Common stock	Share capital awaiting retirement	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Unrealized gain (loss) from financial assets measured at fair value	Remeasurements of defined benefit plans	Unearned stock-based employee compensation	Total equity
Balance at January 1, 2024	\$ 222,045	-	769,344	64,184	34,509	248,914	347,607	(10,889)	(29,680)	(4,187)	1,294,240
Net income for the period	-	-	-	-	-	44,579	44,579	-	-	-	44,579
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	(1,698)	-	-	(1,698)
Total comprehensive income (loss) for the period	-	-	-	-	-	44,579	44,579	(1,698)	-	-	42,881
Appropriation of earnings:											
Cash dividends distributed to shareholders	-	-	-	-	-	(115,025)	(115,025)	-	-	-	(115,025)
Retirement of restricted stock issued to employees	(844)	-	844	-	-	-	-	-	-	-	-
Return of restricted stock issued to employees	-	(50)	50	-	-	-	-	-	-	-	-
Share-based payment—restricted stock issued to employees	-	-	-	-	-	-	-	-	-	339	339
Balance at March 31, 2024	<u>\$ 221,201</u>	<u>(50)</u>	<u>770,238</u>	<u>64,184</u>	<u>34,509</u>	<u>178,468</u>	<u>277,161</u>	<u>(12,587)</u>	<u>(29,680)</u>	<u>(3,848)</u>	<u>1,222,435</u>
Balance at January 1, 2025	\$ 301,152	-	2,288,650	83,243	40,569	334,533	458,345	(6,427)	(29,792)	-	3,011,928
Net income for the period	-	-	-	-	-	56,165	56,165	-	-	-	56,165
Other comprehensive income for the period	-	-	-	-	-	-	-	1,898	-	-	1,898
Total comprehensive income for the period	-	-	-	-	-	56,165	56,165	1,898	-	-	58,063
Appropriation of earnings:											
Cash dividends distributed to shareholders	-	-	-	-	-	(179,998)	(179,998)	-	-	-	(179,998)
Retirement of restricted stock issued to employees	(1,155)	-	1,155	-	-	-	-	-	-	-	-
Balance at March 31, 2025	<u>\$ 299,997</u>	<u>-</u>	<u>2,289,805</u>	<u>83,243</u>	<u>40,569</u>	<u>210,700</u>	<u>334,512</u>	<u>(4,529)</u>	<u>(29,792)</u>	<u>-</u>	<u>2,889,993</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ACER CYBER SECURITY INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the three months ended March 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollar)**

	For the three months ended March 31	
	2025	2024
Cash flows from operating activities:		
Income before income tax	\$ 70,881	56,222
Adjustments for:		
Adjustments to reconcile profit or loss:		
Depreciation	31,456	28,791
Amortization	194,324	139,871
Interest expense	1,766	1,424
Interest income	(3,552)	(249)
Share-based compensation cost	-	339
Total adjustments for profit or loss	223,994	170,176
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	(25,250)	(60,267)
Notes and accounts receivable	139,485	90,134
Accounts receivable from related parties	14,242	7,645
Other receivables	-	(618)
Prepaid expenses and other assets	(2,860)	7,737
Changes in operating assets	125,617	44,631
Changes in operating liabilities:		
Contract liabilities	(34,269)	(11,889)
Accounts payable	1,201	(71,224)
Accounts payable to related parties	2,907	(5,379)
Other payables	(79,643)	(77,018)
Other payables to related parties	(1,806)	486
Other current liabilities	(11,998)	(10,062)
Net defined benefit liabilities	(4)	(2)
Changes in operating liabilities	(123,612)	(175,088)
Total changes in operating assets and liabilities	2,005	(130,457)
Total adjustments	225,999	39,719
Cash provided by operations	296,880	95,941
Interest received	898	223
Interest paid	(1,560)	(2,097)
Income taxes paid	(103)	-
Net cash flows provided by operating activities	296,115	94,067

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ACER CYBER SECURITY INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows (Continued)****For the three months ended March 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollar)**

	For the three months ended March 31	
	2025	2024
Cash flows from investing activities:		
Additions to property, plant and equipment	(24,201)	(23,861)
Additions to intangible assets	-	(88,389)
Increase in costs to fulfill contracts with customers	(195,589)	(174,366)
Decrease in other financial assets	4,215	10,040
Decrease (increase) in other non-current assets	323	(652)
Net cash flows used in investing activities	(215,252)	(277,228)
Cash flows from financing activities:		
Repayment of long-term debt	(2,747)	-
Decrease in guarantee deposits received	-	(135)
Increase in loans from related parties	-	120,000
Payment of lease liabilities	(7,532)	(11,200)
Net cash flows provided by (used in) financing activities	(10,279)	108,665
Net increase (decrease) in cash and cash equivalents	70,584	(74,496)
Cash and cash equivalents at beginning of period	1,520,464	453,148
Cash and cash equivalents at end of period	\$ 1,591,048	378,652

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ACER CYBER SECURITY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)

1. Organization and business

Acer Cyber Security Inc. (the “Company”) was incorporated on May 29, 2000, as a company limited by shares under the laws of the Republic of China (“R.O.C.”) and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 13F, No. 9, Section 3, Nangang Rd., Nangang Dist., Taipei City, Taiwan (R.O.C.).

The Company and its subsidiaries (the “Group”) take the R&D expertise as the core capability and specialize in the development of information security related services, including advance prevention, real-time detection, post-incident response and cybersecurity disaster recovery. For advance prevention, the Group provides consulting services for information security management system, system vulnerability scanning, penetration testing, information security health check services, and backup services for data and systems. For real-time detection, the Group provides 24-hour security monitoring services through the Security Operations Center (“SOC”) and increases the frequency and types of backup operation drills. For post-incident response, the Group provides professional forensic technology for digital evidence preservation to restore the full picture of endpoint intrusions. The Group activates emergency backup and adopts cybersecurity disaster recovery procedures to reduce disaster damage. Additionally, the Group provides IT division with outsourcing services.

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on April 29, 2025.

3. Application of new and revised accounting standards and interpretations

- (a) The impact of the International Financial Reporting Standards (“IFRS Accounting Standards”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2025:

- Amendments to IAS 21 “Lack of Exchangeability”

- (b) The impact of IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the IASB, but have yet to be endorsed by the FSC:

Standards or interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.	January 1, 2027

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Standards or interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<ul style="list-style-type: none"> • A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined “operating profit” subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Sections 3.1 and 3.3 of IFRS 9 and the related disclosure requirements of IFRS 7
- Annual Improvements to IFRS Accounting Standards— Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4. Summary of material accounting policies

(a) Statement of compliance

The Group's accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations") and guidelines of IAS 34 "Interim Financial Reporting" which are endorsed and issued into effect by the FSC, and do not include all the information required by the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual financial statements.

The material accounting policies adopted in the accompanying consolidated financial statements are the same as those in the 2024 annual consolidated financial statements. For the related information, please refer to note 4 of the the 2024 annual consolidated financial statements.

(b) Basis of consolidation

(i) List of subsidiaries included in the consolidated financial statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership			Note
			March 31, 2025	December 31, 2024	March 31, 2024	
The Company	ACSI Cyber Security Academy Inc. ("ACAD")	Cyber security training	100.00 %	100.00 %	100.00 %	-
The Company	Acer e-Enabling Data Center Incorporated ("EDC")	Uninterrupted operation and IT operation outsourcing services	100.00 %	100.00 %	100.00 %	-

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

(c) Employee benefits

The defined benefit pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time, as well as significant curtailments, settlements, or other significant one-time events.

(d) Income taxes

The income tax expenses in the interim financial statements have been measured and disclosed in accordance with paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expenses for the period are measured by multiplying together the pre-tax income for the interim reporting period and the management's best estimate of effective annual tax rate. This should be recognized fully as tax expense for the current period.

When income tax expenses are recognized directly in equity or other comprehensive income in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, the related amounts shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled.

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5. Critical accounting judgments and key sources of estimation and assumption uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34 “Interim financial reporting” endorsed and issued into effect by FSC requires management to make judgments and estimates about the future, including climate-related risks and opportunities, which affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

When preparing the interim consolidated financial statements, same critical accounting judgments and key sources of estimation uncertainties as mentioned in note 5 of the 2024 annual consolidated financial statements have been followed.

6. Significant account disclosures

Except for the following disclosures, there is no significant difference as compared with those disclosed in the 2024 annual consolidated financial statements. Please refer to note 6 of the 2024 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2025	December 31, 2024	March 31, 2024
Cash on hand	\$ 96	96	96
Demand deposits and checking accounts	320,952	1,520,368	318,556
Time deposits with original maturities less than three months	1,270,000	-	60,000
	<u><u>\$ 1,591,048</u></u>	<u><u>1,520,464</u></u>	<u><u>378,652</u></u>

(b) Financial assets at fair value through other comprehensive income

	March 31, 2025	December 31, 2024	March 31, 2024
Domestic listed stock	<u><u>\$ 25,441</u></u>	<u><u>23,543</u></u>	<u><u>17,383</u></u>

The Group designated the investments shown above as financial assets measured at fair value through other comprehensive income (FVOCI) because these equity instruments are not held for trading.

(c) Notes and accounts receivable

	March 31, 2025	December 31, 2024	March 31, 2024
Notes receivable	\$ -	-	9
Accounts receivable	163,041	302,526	141,005
Less: loss allowance	-	-	-
	163,041	302,526	141,014
Accounts receivable from related parties	37,622	51,864	48,711
	<u><u>\$ 200,663</u></u>	<u><u>354,390</u></u>	<u><u>189,725</u></u>

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables. Forward-looking information is taken into consideration as well. Analysis of expected credit losses on notes and accounts receivable (including receivables from related parties) was as follows:

March 31, 2025			
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 194,500	-	-
Past due 1-30 days	1,629	-	-
Past due 31-60 days	3,794	-	-
Past due 61-90 days	495	-	-
Past due 91-120 days	245	-	-
Past due 181 days or over	-	100%	-
	\$ 200,663		-

December 31, 2024			
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 349,782	-	-
Past due 1-30 days	4,398	-	-
Past due 31-60 days	105	-	-
Past due 61-90 days	105	-	-
Past due 181 days or over	-	100%	-
	\$ 354,390		-

March 31, 2024			
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 170,703	-	-
Past due 1-30 days	14,917	-	-
Past due 31-60 days	3,144	-	-
Past due 61-90 days	960	-	-
Past due 91-120 days	1	-	-
Past due 181 days or over	-	100%	-
	\$ 189,725		-

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Other receivables

	March 31, 2025	December 31, 2024	March 31, 2024
Other receivables	\$ 2,654	-	682
Less: loss allowance	-	-	-
	<u>\$ 2,654</u>	<u>-</u>	<u>682</u>

As of March 31, 2025, December 31 and March 31, 2024, no loss allowance was provided for other receivables after management's assessment.

(e) Property, plant and equipment

	Land	Buildings	Operating and office equipment	Machinery and equipment	Other equipment and construction in progress	Total
Cost :						
Balance at January 1, 2025	\$ 503,116	352,189	139,322	802,666	62,387	1,859,680
Additions	-	-	534	8,943	14,724	24,201
Disposals	-	-	(8,474)	-	-	(8,474)
Reclassification	-	-	-	14,067	(14,067)	-
Balance at March 31, 2025	<u>\$ 503,116</u>	<u>352,189</u>	<u>131,382</u>	<u>825,676</u>	<u>63,044</u>	<u>1,875,407</u>
Balance at January 1, 2024	\$ -	-	104,243	642,908	136,867	884,018
Additions	-	-	6,922	83	9,712	16,717
Disposals	-	-	(6,602)	-	-	(6,602)
Balance at March 31, 2024	<u>\$ -</u>	<u>-</u>	<u>104,563</u>	<u>642,991</u>	<u>146,579</u>	<u>894,133</u>
Accumulated depreciation:						
Balance at January 1, 2025	\$ -	4,028	83,696	404,204	14,325	506,253
Depreciation	-	1,726	6,125	14,705	1,244	23,800
Disposals	-	-	(8,474)	-	-	(8,474)
Balance at March 31, 2025	<u>\$ -</u>	<u>5,754</u>	<u>81,347</u>	<u>418,909</u>	<u>15,569</u>	<u>521,579</u>
Balance at January 1, 2024	\$ -	-	67,013	359,722	15,590	442,325
Depreciation	-	-	5,491	10,330	1,613	17,434
Disposals	-	-	(6,602)	-	-	(6,602)
Balance at March 31, 2024	<u>\$ -</u>	<u>-</u>	<u>65,902</u>	<u>370,052</u>	<u>17,203</u>	<u>453,157</u>
Carrying amounts:						
Balance at March 31, 2025	<u>\$ 503,116</u>	<u>346,435</u>	<u>50,035</u>	<u>406,767</u>	<u>47,475</u>	<u>1,353,828</u>
Balance at January 1, 2025	<u>\$ 503,116</u>	<u>348,161</u>	<u>55,626</u>	<u>398,462</u>	<u>48,062</u>	<u>1,353,427</u>
Balance at March 31, 2024	<u>\$ -</u>	<u>-</u>	<u>38,661</u>	<u>272,939</u>	<u>129,376</u>	<u>440,976</u>

There were no significant additions, disposals, or recognition and reversal of impairment losses of property, plant and equipment for the three months ended March 31, 2025 and 2024. Please refer to note 6(e) of the 2024 annual consolidated financial statements for other related information.

Please refer to note 8 for a description of the Group's property, plant and equipment pledged as collateral for bank loans.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Right-of-use assets

	<u>Buildings</u>
Cost:	
Balance at January 1, 2025 (balance at March 31, 2025)	\$ <u><u>299,428</u></u>
Balance at January 1, 2024 (balance at March 31, 2024)	\$ <u><u>330,900</u></u>
Accumulated depreciation:	
Balance at January 1, 2025	\$ 95,357
Depreciation	<u>7,656</u>
Balance at March 31, 2025	\$ <u><u>103,013</u></u>
Balance at January 1, 2024	\$ 88,568
Depreciation	<u>11,357</u>
Balance at March 31, 2024	\$ <u><u>99,925</u></u>
Carrying amounts:	
Balance at March 31, 2025	\$ <u><u>196,415</u></u>
Balance at January 1, 2025	\$ <u><u>204,071</u></u>
Balance at March 31, 2024	\$ <u><u>230,975</u></u>

(g) Intangible assets

	<u>License fee</u>	<u>Computer software</u>	<u>Total</u>
Cost:			
Balance at January 1, 2025	\$ 169,889	38,826	208,715
Write-off and disposals	<u>(4,319)</u>	<u>-</u>	<u>(4,319)</u>
Balance at March 31, 2025	\$ <u><u>165,570</u></u>	<u><u>38,826</u></u>	<u><u>204,396</u></u>
Balance at January 1, 2024	\$ 147,170	61,357	208,527
Additions	76,727	11,662	88,389
Write-off and disposals	<u>(25,863)</u>	<u>-</u>	<u>(25,863)</u>
Balance at March 31, 2024	\$ <u><u>198,034</u></u>	<u><u>73,019</u></u>	<u><u>271,053</u></u>
Accumulated amortization:			
Balance at January 1, 2025	\$ 85,270	36,742	122,012
Amortization	15,155	731	15,886
Write-off and disposals	<u>(4,319)</u>	<u>-</u>	<u>(4,319)</u>
Balance at March 31, 2025	\$ <u><u>96,106</u></u>	<u><u>37,473</u></u>	<u><u>133,579</u></u>
Balance at January 1, 2024	\$ 62,219	51,343	113,562
Amortization	44,527	6,196	50,723
Write-off and disposals	<u>(25,863)</u>	<u>-</u>	<u>(25,863)</u>
Balance at March 31, 2024	\$ <u><u>80,883</u></u>	<u><u>57,539</u></u>	<u><u>138,422</u></u>

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>License fee</u>	<u>Computer software</u>	<u>Total</u>
Carrying amounts:			
Balance at March 31, 2025	\$ <u>69,464</u>	<u>1,353</u>	<u>70,817</u>
Balance at January 1, 2025	\$ <u>84,619</u>	<u>2,084</u>	<u>86,703</u>
Balance at March 31, 2024	\$ <u>117,151</u>	<u>15,480</u>	<u>132,631</u>

The amortization of intangible assets was included in the following line items of the statement of comprehensive income:

	<u>For the three months ended March 31,</u>	
	<u>2025</u>	<u>2024</u>
Cost of revenue	\$ 15,667	50,168
Operating expenses	<u>219</u>	<u>555</u>
	<u>\$ 15,886</u>	<u>50,723</u>

(h) Costs to fulfill contracts with customers

Cost:

Balance at January 1, 2025	\$ 780,142
Additions	195,589
Derecognition	<u>(118,845)</u>
Balance at March 31, 2025	\$ <u>856,886</u>
Balance at January 1, 2024	\$ 621,488
Additions	143,683
Derecognition	<u>(63,790)</u>
Balance at March 31, 2024	\$ <u>701,381</u>

Accumulated amortization:

Balance at January 1, 2025	\$ 131,019
Amortization	178,176
Derecognition	<u>(118,845)</u>
Balance at March 31, 2025	\$ <u>190,350</u>
Balance at January 1, 2024	\$ 100,385
Amortization	88,886
Derecognition	<u>(63,790)</u>
Balance at March 31, 2024	\$ <u>125,481</u>

Carrying amounts:

Balance at March 31, 2025	\$ <u>666,536</u>
Balance at January 1, 2025	\$ <u>649,123</u>
Balance at March 31, 2024	\$ <u>575,900</u>

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ACER CYBER SECURITY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Other non-current assets

	March 31, 2025	December 31, 2024	March 31, 2024
Payments for Taipower network	\$ 6,806	7,068	7,853
Others	6,800	7,123	7,695
	<u>\$ 13,606</u>	<u>14,191</u>	<u>15,548</u>

Payments for Taipower network are amortized on a straight-line basis over the estimated useful lives of 10 years. For the three months ended March 31, 2025 and 2024, the amortization both amounted to \$262.

(j) Long-term debt

	March 31, 2025	December 31, 2024	March 31, 2024
Secured loan	\$ 267,630	270,377	-
Less: current portion of long-term debt	(11,711)	(11,493)	-
	<u>\$ 255,919</u>	<u>258,884</u>	<u>-</u>
Unused credit facilities	\$ -	-	-
Interest rate	<u>1.75%~1.87%</u>	<u>1.75%~1.87%</u>	<u>-</u>
Maturity year	<u>2025~2044</u>	<u>2024~2044</u>	<u>-</u>

(i) Increase in long-term debt and repayment

There were no significant increase, repurchase and repayment of long-term debt for the three months ended March 31, 2025 and 2024. Please refer to note 6(s) for related interest expense. Please refer to note 6(j) of the 2024 annual consolidated financial statements for other related information.

(ii) Collateral for bank borrowings

Please refer to note 8 for a description of the Group's assets pledged as collateral to secure the bank loans.

(k) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	March 31, 2025	December 31, 2024	March 31, 2024
Current	\$ <u>30,330</u>	<u>30,251</u>	<u>33,001</u>
Non-current	\$ <u>169,520</u>	<u>177,131</u>	<u>200,825</u>

Please refer to note 6(u) for the maturity analysis.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2025	2024
Interest expense on lease liabilities	\$ <u>525</u>	<u>619</u>
Expenses relating to short-term leases	\$ <u>176</u>	<u>223</u>

- (ii) The amounts recognized in the statement of cash flows for the Group were as follows:

	For the three months ended March 31,	
	2025	2024
Total cash outflow for leases	\$ <u>8,233</u>	<u>12,042</u>

- (iii) Major terms of leases

The Group leases buildings for its office and server room with lease terms ranged from 3 to 10 years, which include options to extend the lease term after the end of the contract term.

In addition, as the lease for office, equipment and parking space with contract terms within one year conforms to short-term leases, the Group has elected to apply exemption and not to recognize right-of-use assets and lease liabilities.

- (l) Employee benefits

- (i) Defined benefit plans

Management believes that there was no material volatility of the market, no material curtailment and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim periods was measured and disclosed according to the actuarial report as of December 31, 2024 and 2023.

The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended March 31,	
	2025	2024
Operating cost	\$ 45	37
Operating expenses	<u>31</u>	<u>32</u>
	\$ <u>76</u>	<u>69</u>

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

The Group's expenses for the pension plan contributions to the Bureau of Labor Insurance for the three months ended March 31, 2025 and 2024 were as follows:

	For the three months ended March 31,	
	2025	2024
Operating cost	\$ 2,935	2,961
Operating expenses	<u>4,351</u>	<u>3,528</u>
	<u>\$ 7,286</u>	<u>6,489</u>

(m) Income taxes

	For the three months ended March 31,	
	2025	2024
Income tax expense	\$ <u>14,716</u>	<u>11,643</u>

For the three months ended March 31, 2025 and 2024, there was no income tax expense recognized in other comprehensive income or recognized directly in equity.

The Company's income tax returns for the years through 2022 were examined and approved by the R.O.C. income tax authorities.

(n) Capital and other equity

(i) Common stock

As of March 31, 2025, December 31 and March 31, 2024, the Company's authorized shares of common stock consisted of 300,050 thousand shares, of which 29,999 thousand, 30,115 thousand, and 22,120 thousand shares were issued, respectively. The par value of the Company's common stock is NTD 10 per share.

The movements in outstanding shares of common stock (excluding unvested restricted stock to employees) were as follows (in thousands of shares):

	Common stock For the three months ended March 31,	
	2025	2024
Balance at January 1 (balance at March 31)	<u>29,999</u>	<u>21,999</u>

(Continued)

ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The issuance of additional 8,000 thousand of common shares at price of \$200 per share was resolved by the Company's Board of Directors on July 30, 2024, wherein 800 thousand of common shares, comprising 10% of the newly issued common shares, are reserved for employee subscription in accordance with the Company's Articles of Incorporation. If the Company's employees have not subscribed sufficiently and adequately, or waived the right to subscribe, the Chairman may arrange a specific person for subscription. The share issuance was approved by FSC and the effective date of capital increase was set on December 19, 2024 with a total consideration amounting to \$1,596,000 (net of the direct issuing cost of 4,000) and the related registration procedures have been completed.

The Company issued 241 thousand of restricted stock to its employees with zero exercise price during the first quarter of 2022, which was retired as the vesting conditions failed to be met in the second quarter of 2024, and the related registration procedures have been completed.

(ii) Capital surplus

	March 31, 2025	December 31, 2024	March 31, 2024
Paid-in capital in excess of par value	\$ 2,264,194	2,264,194	748,194
Difference between consideration and carrying amount of subsidiaries acquired or disposed	5,896	5,896	5,896
Restricted stock to employees	-	(1,155)	8,706
Employee stock options	19,715	19,715	7,442
	<u>\$ 2,289,805</u>	<u>2,288,650</u>	<u>770,238</u>

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Unappropriated earnings and dividend policy

1) Legal reserve

Pursuant to the Company Act, the Company must retain 10% of its after-tax net profit in the period, plus items other than the after-tax net profit in the period that are included in the undistributed current-period earnings annual income as a legal reserve until such retention equals to the total paid-in capital. The legal reserve shall be used to offset the deficit of the company. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or distributing cash for the portion in excess of 25% of the paid-in capital.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Special reserve

In accordance with the rulings issued by the Financial Supervisory Commission, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from current and prior-year earnings. This special reserve shall revert to retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

3) Earnings distribution

The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve until the legal reserve has reached the Company's total paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years, after retaining a certain portion of it for business considerations, can be distributed as dividends to stockholders, pursuant to the earnings distribution plan proposed by the Board of Directors and approved by the stockholders. Except for the distribution of reserve in accordance with applicable laws and regulations, the Company cannot distribute any earnings when there are no retained earnings.

The distributable dividends in whole or in part will be paid in cash by the Company after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Earnings are distributed in consideration of the Company's current and long-term development, the overall investment environment, capital needs, market competition in domestic and international business and interest of its shareholders. Earnings can be distributed by stock or cash, wherein no less than 2% of the distributable earnings shall be appropriated as shareholder dividends. The Company has adopted a stable dividend policy in which cash dividends comprise at least 10% of the total distribution of dividends except when the Company's Board of Directors resolved not to distribute any cash dividend, which was approved by the shareholders. Except for the distribution of capital surplus and legal reserve in accordance with applicable laws and regulations in consideration of the financial, business, and operational factors, the Company cannot distribute any earnings when there are no retained earnings.

The appropriations of 2024 and 2023 earnings were resolved by the Board of Directors on February 24, 2025 and February 27, 2024, respectively. The resolved appropriations of the cash dividends per share were as follows:

	2024		2023	
	Dividends per share (in NTD)	Amount	Dividends per share (in NTD)	Amount
Dividends per share:				
Cash dividends	\$ 6.0	<u>179,998</u>	5.2	<u>115,025</u>

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(iv) Other equity items (net after tax)

- 1) Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income

	For the three months ended March 31,	
	2025	2024
Balance at January 1	\$ (6,427)	(10,889)
Changes in fair value of financial assets measured at fair value through other comprehensive income (loss)	1,898	(1,698)
Balance at March 31	<u><u>\$ (4,529)</u></u>	<u><u>(12,587)</u></u>

- 2) Remeasurement of defined benefit plans

	For the three months ended March 31,	
	2025	2024
Balance at January 1 (balance at March 31)	<u><u>\$ (29,792)</u></u>	<u><u>(29,680)</u></u>

- 3) Unearned compensation cost

	For the three months ended March 31,	
	2024	
Balance at January 1	\$	(4,187)
Issuance of restricted stock to employees		339
Balance at March 31	<u><u>\$</u></u>	<u><u>(3,848)</u></u>

(o) Share-based payment

There was no significant change in share-based payment for the three months ended March 31, 2025 and 2024. Please refer to note 6(o) of the 2024 annual consolidated financial statements for other related information.

Employee compensation cost

The compensation costs and gains on reversal resulting from share-based payment transactions were as follows:

	For the three months ended March 31,	
	2024	
Expense resulting from restricted stock to employees	<u><u>\$</u></u>	<u><u>339</u></u>

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Earnings per share (“EPS”)

(i) Basic earnings per share

	For the three months ended March 31,	
	2025	2024
Net income attributable to shareholders of the Company	\$ <u>56,165</u>	<u>44,579</u>
Weighted-average number of common shares outstanding (in thousands)	<u>29,999</u>	<u>21,999</u>
Basic earnings per share (in New Taiwan Dollar)	\$ <u>1.87</u>	<u>2.03</u>

(ii) Diluted earnings per share

	For the three months ended March 31,	
	2025	2024
Net income attributable to shareholders of the Company	\$ <u>56,165</u>	<u>44,579</u>
Weighted-average number of common shares outstanding (in thousands)	29,999	21,999
Effect of dilutive potential common shares (in thousands):		
Effect of employee remuneration in stock	119	109
Effect of restricted stock to employees	<u>-</u>	<u>81</u>
Weighted-average number of common shares outstanding (including effect of dilutive potential common shares) (in thousands)	<u>30,118</u>	<u>22,189</u>
Diluted earnings per share (in New Taiwan Dollar)	\$ <u>1.86</u>	<u>2.01</u>

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31,	
	2025	2024
Major products/services lines		
Cybersecurity services	\$ 457,456	407,495
IT operation outsourcing services	<u>58,872</u>	<u>44,119</u>
	\$ <u>516,328</u>	<u>451,614</u>

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

	March 31, 2025	December 31, 2024	March 31, 2024
Notes and accounts receivable (including related parties)	\$ 200,663	354,390	189,725
Less: loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 200,663</u>	<u>354,390</u>	<u>189,725</u>
Contract assets — current	<u>\$ 383,801</u>	<u>358,551</u>	<u>377,526</u>
Contract liabilities — current	<u>\$ 156,659</u>	<u>167,787</u>	<u>78,237</u>
Contract liabilities — non-current	<u>\$ 277,687</u>	<u>300,828</u>	<u>-</u>

Please refer to note 6(c) for details on notes and accounts receivable and related loss allowance.

The amounts of revenue recognized for the three months ended March 31, 2025 and 2024 that were included in the contract liability balances at January 1, 2025 and 2024 were \$48,520 and \$22,291, respectively.

The major changes in the balance of contract assets and contract liabilities were due to the timing difference between the satisfaction of performance obligation and the receipt of customer's payment.

(r) Remuneration to employees and directors

The Company's Articles of Incorporation require that annual earning shall first be offset against any accumulated deficit, then, a minimum of 2% shall be allocated as employee remuneration and a maximum of 0.8% be allocated as directors' remuneration. Employees who are entitled to receive the abovementioned employee remuneration, in share or cash, include the employees of subsidiaries of the Company who meet certain specific requirements.

For the three months ended March 31, 2025 and 2024, the remuneration to employees amounted to \$6,820 and \$5,234, respectively, and the remuneration to directors amounted to \$400 in the first quarter for both years. The estimated amounts mentioned above are calculated based on the income before income tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles, and are recognized them as operating expenses. The difference between accrual and actual payment, if any, will be accounted for as change in accounting estimate and be recognized in profit or loss in the following year.

For the years ended December 31, 2024 and 2023, the Company accrued its remuneration to employees amounting to \$27,429 and \$23,200, respectively, and the remuneration to directors amounting to \$2,170 and \$1,800, respectively. The said amounts, which were recognized as operating expenses, were calculated based on pre-tax net profit for each year before deducting the amount of the remuneration to employees and directors, multiplied by a certain percentage of the remuneration to employees and directors. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year. The aforementioned accrued amounts were the same as the amount approved by the Board of Directors and were paid in cash. Related information is available at the Market Observation Post System website.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Non-operating income and loss

(i) Interest income

	For the three months ended March 31,	
	2025	2024
Interest income from bank deposits	\$ <u>3,552</u>	<u>249</u>

(ii) Other gains and losses

	For the three months ended March 31,	
	2025	2024
Foreign currency exchange gains, net	\$ 259	354
Others	<u>2,096</u>	<u>613</u>
	\$ <u>2,355</u>	<u>967</u>

(iii) Finance costs

	For the three months ended March 31,	
	2025	2024
Interest expense on lease liabilities	\$ 525	619
Interest expense from bank loans	1,241	178
Interest expense on loans from related parties	<u>-</u>	<u>627</u>
	\$ <u>1,766</u>	<u>1,424</u>

(t) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	March 31, 2025	December 31, 2024	March 31, 2024
Financial assets measured at fair value through other comprehensive income — non-current	\$ 25,441	23,543	17,383
Financial assets measured at amortized cost:			
Cash and cash equivalents	1,591,048	1,520,464	378,652
Notes and accounts receivable and other receivables (including related parties)	203,317	354,390	190,407
Other financial assets	<u>71,521</u>	<u>75,736</u>	<u>79,122</u>
	\$ <u>1,891,327</u>	<u>1,974,133</u>	<u>665,564</u>

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Financial liabilities

	March 31, 2025	December 31, 2024	March 31, 2024
Financial liabilities measured at amortized cost:			
Accounts payable (including related parties)	\$ 301,385	297,277	259,096
Other payables (including related parties)	426,415	327,660	589,002
Lease liabilities (including current and non-current)	199,850	207,382	233,826
Long-term debt (including current portion)	267,630	270,377	-
Guarantee deposits	8,452	8,452	9,461
	<u>\$ 1,203,732</u>	<u>1,111,148</u>	<u>1,091,385</u>

(ii) Fair value information

1) Financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments measured at fair value

Financial assets measured at fair value through other comprehensive income are measured at fair value on a recurring basis.

The table below analyzes the financial instruments measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
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		March 31, 2025			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income — non-current:					
Domestic listed stock	\$ <u>25,441</u>	<u>25,441</u>	<u>-</u>	<u>-</u>	<u>25,441</u>
December 31, 2024					
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income — non-current:					
Domestic listed stock	\$ <u>23,543</u>	<u>23,543</u>	<u>-</u>	<u>-</u>	<u>23,543</u>
March 31, 2024					
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income — non-current:					
Domestic listed stock	\$ <u>17,383</u>	<u>17,383</u>	<u>-</u>	<u>-</u>	<u>17,383</u>

(iii) Valuation techniques used for financial instruments measured at fair value

The fair value of financial instruments traded in active liquid markets is determined with reference to quoted market prices.

Except for the abovementioned financial instruments traded in an active market, the fair value of other financial instruments are based on the valuation techniques or the quotation from counterparty. The fair value using valuation techniques refers to the current fair value of other financial instruments with similar conditions and characteristics, or using a discounted cash flow method, or other valuation techniques which include model calculating with observable market data at the reporting date.

The fair value for listed stock with standard terms and conditions and traded in active markets is based on quoted market prices.

(iv) Transfers between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the three months ended March 31, 2025 and 2024.

(u) Financial risk management

Except for the contents mentioned below, there were no significant changes in the fair value of the Group's financial instruments and the degree of exposure to credit risk and market risk arising from financial instruments. For the related information, please refer to note 6(u) of the 2024 annual consolidated financial statements.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Credit risk

1) The maximum exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, notes and accounts receivable from customers and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets and contract assets.

2) Concentration of credit risk

The Group's customers primarily consist of government authorities, finance and insurance institutions as well as business enterprises. The Group believes that there is no significant concentration of credit risk to a specific number of customers.

3) Credit risk from receivables

Please refer to note 6(c) for credit risk exposure of notes and accounts receivable.

Other financial assets measured at amortized cost include other receivables (please refer to note 6(d)) and refundable deposits (recognized in other financial assets). Abovementioned financial assets are considered low-credit-risk financial assets; thus, the loss allowance is measured using 12-months ECL (please refer to note 4(g) for descriptions about how the Group determines the credit risk).

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or another financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand and maintaining adequate cash and banking facilities. As of March 31, 2025, December 31 and March 31, 2024, the Group had unused credit facilities of \$1,170,000.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and estimated interest.

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
March 31, 2025					
Non-derivative financial liabilities:					
Long-term debt	\$ 318,750	16,616	16,616	49,849	235,669
Accounts payable (including related parties)	301,385	301,385	-	-	-
Other payables (including related parties)	426,415	426,415	-	-	-
Lease liabilities	206,690	32,232	31,458	93,600	49,400
Guarantee deposits	<u>8,452</u>	<u>-</u>	<u>-</u>	<u>8,452</u>	<u>-</u>
	<u>\$ 1,261,692</u>	<u>776,648</u>	<u>48,074</u>	<u>151,901</u>	<u>285,069</u>

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2024					
Non-derivative financial liabilities:					
Long-term debt	\$ 322,904	16,616	16,616	49,849	239,823
Accounts payable (including related parties)	297,277	297,277	-	-	-
Other payables (including related parties)	327,660	327,660	-	-	-
Lease liabilities	214,748	32,232	31,716	93,600	57,200
Guarantee deposits	8,452	-	-	8,452	-
	<u>\$ 1,171,041</u>	<u>673,785</u>	<u>48,332</u>	<u>151,901</u>	<u>297,023</u>
March 31, 2024					
Non-derivative financial liabilities:					
Accounts payable (including related parties)	\$ 259,096	259,096	-	-	-
Other payables (including related parties)	589,002	589,002	-	-	-
Lease liabilities	242,919	35,245	33,216	93,858	80,600
Guarantee deposits	9,461	-	-	9,461	-
	<u>\$ 1,100,478</u>	<u>883,343</u>	<u>33,216</u>	<u>103,319</u>	<u>80,600</u>

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(v) Capital management

The objectives, policies and processes of capital management of the Group are in conformity with those disclosed in the 2024 annual consolidated financial statements. Please refer to note 6(v) of the 2024 annual consolidated financial statements for related details.

(w) Investing and financing activities not affecting cash flows

- (i) Please refer to note 6(f) for a description of acquisition of right-of-use assets through leases.
- (ii) The reconciliation of liabilities arising from financing activities was as follows:

	<u>January 1, 2025</u>	<u>Cash flows</u>	<u>March 31, 2025</u>
Long-term debt	\$ 270,377	(2,747)	267,630
Lease liabilities	207,382	(7,532)	199,850
Guarantee deposits	8,452	-	8,452
Total liabilities from financing activities	<u>\$ 486,211</u>	<u>(10,279)</u>	<u>475,932</u>

	<u>January 1, 2024</u>	<u>Cash flows</u>	<u>March 31, 2024</u>
Lease liabilities	\$ 245,026	(11,200)	233,826
Guarantee deposits	9,596	(135)	9,461
Total liabilities from financing activities	<u>\$ 254,622</u>	<u>(11,335)</u>	<u>243,287</u>

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

7. Related-party transactions

(a) Parent company and ultimate controlling party

Acer Incorporated (“Acer”) is the parent company and the ultimate controlling party of the Group. Acer and its subsidiaries owned 60.19%, 59.96% and 60.99%, respectively, of the outstanding shares of the Company as of March 31, 2025, December 31 and March 31, 2024. Acer has issued the consolidated financial statements for public use.

(b) Related party name and categories

The followings are the related parties that have had transactions with the Group during the reporting periods:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Acer Incorporated (“Acer”)	The parent company of the Group
Other related parties:	
Weblink International Inc.	Acer’s subsidiary
Acer e-Enabling Service Business Inc.	Acer’s subsidiary
Acer AI Cloud Inc.	Acer’s subsidiary
Aspire Service & Development Inc.	Acer’s subsidiary
Acer Asset Management Incorporated (“AAM”)	Acer’s subsidiary
Acer ITS Inc.	Acer’s subsidiary
Acer Synergy Tech Corp.	Acer’s subsidiary
Acer Computer Co., Ltd.	Acer’s subsidiary
Highpoint Service Network (Thailand) Co., Ltd.	Acer’s subsidiary
Acer Gadget Inc.	Acer’s subsidiary
AOPEN Inc.	Acer’s subsidiary
Acer Synergy Manpower CORP.	Acer’s subsidiary
Highpoint Service Network Corporation	Acer’s subsidiary
Altos Computing (Thailand) Co., Ltd.	Acer’s subsidiary
Ambi Space Inc.	The director of its parent company is the first-degree relative of the Company’s director.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Significant related-party transactions

(i) Revenue

The amounts of service income with related parties were as follows:

	For the three months ended March 31,	
	2025	2024
Parent company	\$ 28,656	28,500
Other related parties	5,232	2,757
	\$ 33,888	31,257

The sales prices and the payment terms with related parties are not comparable to those with third-party customers as the specifications of projects and products are different.

(ii) Cost of revenue

The amounts of services purchased from related parties and increase in costs to fulfill contracts with customers were as follows:

	For the three months ended March 31,	
	2025	2024
Parent company	\$ 491	297
Other related parties	9,675	5,573
	\$ 10,166	5,870

The purchase prices with related parties are not comparable to those with third-party vendors as the specifications of projects and products are different.

(iii) Service fees

Service fees related to IT and legal services provided by related parties were as follows:

	For the three months ended March 31,	
	2025	2024
Parent company	\$ 451	451

(iv) Property transactions

Operating and office equipment and intangible assets purchased from related parties were as follows:

	For the three months ended March 31,	
	2025	2024
Parent company	\$ 800	-

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (v) Other transactions between the Group and related parties recognized in operating expenses were as follows:

	For the three months ended March 31,	
	2025	2024
Parent company	\$ 802	1,316
Other related parties	973	618
	\$ 1,775	1,934

- (vi) Lease

In September 2021, the Group leased buildings from AAM with a lease term of 10 years, which include options to extend the lease term after the end of the contract term. The rent was determined by referring to the market price nearby.

Interest expenses and lease liabilities arising from the abovementioned leases were as follows:

	For the three months ended March 31,	
	2025	2024
Interest expense	\$ 519	593

	March 31, 2025	December 31, 2024	March 31, 2024
Lease liabilities—current	\$ 29,311	29,237	29,014
Lease liabilities—non-current	169,263	176,618	198,574
	\$ 198,574	205,855	227,588

- (vii) Loans from related parties

The loans from Acer were as follows:

	March 31, 2024
Parent company	\$ 270,000
Interest rate	1.49%~1.67%

Interest expense related to loans from Acer for the three months ended March 31, 2024 amounted to \$627, which was fully paid in December 2024.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Accounts receivable from related parties, contract assets and contract liabilities

The receivables from related parties due to the abovementioned service income and the related contract liabilities were as follows:

Account	Related-party categories	March 31, 2025	December 31, 2024	March 31, 2024
Contract assets	Parent company	\$ 5,436	2,291	6,095
Contract assets	Other related parties	5,798	5,944	704
Accounts receivable from related parties	Parent company	33,823	49,643	45,149
Accounts receivable from related parties	Other related parties	3,799	2,221	3,562
		<u>\$ 48,856</u>	<u>60,099</u>	<u>55,510</u>
Contract liabilities	Parent company	\$ 177	-	-
Contract liabilities	Other related parties	56	141	666
		<u>\$ 233</u>	<u>141</u>	<u>666</u>

(ix) Accounts payable to related parties

The payables to related parties due to the abovementioned services purchased, services fees, office equipment purchased by the Group and loans were as follows:

Account	Related party categories	March 31, 2025	December 31, 2024	March 31, 2024
Accounts payable to related parties	Parent company	\$ 16,773	18,090	8,646
Accounts payable to related parties	Other related parties	7,042	2,818	1,713
Other payables to related parties	Parent company	1,457	3,167	890
Other payables to related parties	Other related parties	3,041	3,137	2,983
Other payables—loans from related parties	Parent company	-	-	270,000
Dividends payable (recognized in other payables)	Parent company	93,372	-	69,137
		<u>\$ 121,685</u>	<u>27,212</u>	<u>353,369</u>

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Compensation for key management personnel

	For the three months ended March 31,	
	2025	2024
Short-term employee benefits	\$ 4,558	4,792
Post-employment benefits	81	108
Share-based payments	-	206
	\$ 4,639	5,106

Please refer to note 6(o) for the information related to share-based payments.

8. Pledged assets

Assets	Pledged to secure	March 31, 2025	December 31, 2024	March 31, 2024
Refundable deposits (recognized in other financial assets)	Contract bidding and project fulfillment guarantee	\$ 71,332	74,825	75,902
Property, plant and equipment	Credit lines of bank loans	849,551	851,277	-
		\$ 920,883	926,102	75,902

9. Significant commitments and contingencies: None

10. Significant loss from disaster: None

11. Significant subsequent events: None

12. Others

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

	For the three months ended March 31, 2025			For the three months ended March 31, 2024		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	70,487	107,707	178,194	68,806	85,967	154,773
Insurance	6,381	9,702	16,083	6,397	7,899	14,296
Pension	2,980	4,382	7,362	2,998	3,560	6,558
Remuneration to directors	-	575	575	-	575	575
Others	955	3,521	4,476	3,183	3,757	6,940
Depreciation	24,586	6,870	31,456	19,454	9,337	28,791
Amortization	194,105	219	194,324	139,316	555	139,871

- (b) Seasonality operations

The Group's operations were not significantly influenced by seasonality or cyclicity factors.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
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13. Additional disclosures

(a) Information on significant transactions

In accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group discloses the following information on significant transactions for the three months ended March 31, 2025.

- (i) Financing provided to other parties: None
- (ii) Guarantee and endorsement provided to other parties: None
- (iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities):

(In Thousands of New Taiwan Dollar/Shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	March 31, 2025				Note
				Shares	Carrying Value	Percentage of Ownership	Fair Value	
The Company	Preferred Stock B: SKFHC	-	Financial assets at fair value through other comprehensive income—non-current	666	25,441	0.30 %	25,441	-

- (iv) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital: None
- (v) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: None
- (vi) Business relationships and significant intercompany transactions:

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Account (Note 3)	Amount	Transaction Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 4)
0	The Company	Acer e-Enabling Data Center Incorporated	1	Sales	8,271	EM 60	1.60 %
1	Acer e-Enabling Data Center Incorporated	The Company	2	Sales	6,500	EM 60	1.26 %

Note 1: Parties with the intercompany transactions are identified and numbered as follows:

- 1. "0" represents the Company.
- 2. Subsidiaries are numbered from "1".

Note 2: The relationships with counterparties are as follows:

- No. "1" represents the transactions from the Company to subsidiary.
- No. "2" represents the transactions from subsidiary to the Company.
- No. "3" represents the transactions from subsidiary to subsidiary.

Note 3: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of the consolidated operating revenue or total assets. The corresponding purchases and accounts payable are not disclosed.

Note 4: The ratio is based on the transaction amount divided by the consolidated operating revenues or consolidated total assets.

Note 5: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

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ACER CYBER SECURITY INC. AND SUBSIDIARIES
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(b) Information on investees

(In Thousands of New Taiwan Dollar/Shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2025			Net Income (Loss) of the Investee	Share of Profits/(Losses) of the Investee	Note
				March 31, 2025	December 31, 2024	Shares	Percentage of Ownership	Carrying Value			
The Company	ACSI Cyber Security Academy Inc.	Taiwan	Cyber security training	10,000	10,000	1,000	100 %	594	(2,701)	(2,701)	Parent/ Subsidiary
The Company	Acer e-Enabling Data Center Incorporated	Taiwan	Uninterrupted operation and IT operation outsourcing services	1,175,748	1,175,748	114,462	100 %	1,230,879	42,506	42,506	Parent/ Subsidiary

(c) Information on investment in Mainland China: None

14. Segment information

(a) General information

The Group's reportable segments comprise the cybersecurity services segment and IT operation outsourcing services segment. The cybersecurity services segment engages mainly in related information security services, including early deployment, real-time response, post-incident response and cybersecurity disaster recovery. IT segment engages mainly in IT operation outsourcing services.

The Group measures operating income as the basis of performance assessment. The reporting amount is consistent with the report used by chief operating decision maker. There was no material inconsistency between the accounting policies adopted for the operating segments and the significant accounting policies of the Group.

For the three months ended March 31, 2025				
	Cybersecurity services	IT operation outsourcing services	Adjustments and eliminations	Total
Revenues from external customers	\$ 457,456	58,872	-	516,328
Intra-group revenue	9,642	6,633	(16,275)	-
Total revenues	<u>\$ 467,098</u>	<u>65,505</u>	<u>(16,275)</u>	<u>516,328</u>
Segment profit (loss)	<u>\$ 57,477</u>	<u>4,524</u>	<u>4,739</u>	<u>66,740</u>

For the three months ended March 31, 2024				
	Cybersecurity services	IT operation outsourcing services	Adjustments and eliminations	Total
Revenues from external customers	\$ 407,495	44,119	-	451,614
Intra-group revenue	23,246	6,318	(29,564)	-
Total revenues	<u>\$ 430,741</u>	<u>50,437</u>	<u>(29,564)</u>	<u>451,614</u>
Segment profit (loss)	<u>\$ 47,304</u>	<u>5,193</u>	<u>3,933</u>	<u>56,430</u>